

World Tourism Market

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TR-B5SE/1

Introduction to the market and international tourism.

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Literature

- World Tourism Organization (UNWTO), www.unwto.org
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- EcoTrans/European Communities, "Innovation in tourism. How to create a tourism learning area" (The handbook), Luxembourg, 2006

Other literature (2)

- European Travel Commission (ETC), www.etc-corporate.org
- Caribbean Hotel and Tourism Association (CHTA),
www.caribbeanhotelandtourism.com
- Pacific Asia Travel Association (PATA), www.pata.org
- Instytut Turystyki www.intur.com.pl
- Polish Tourist Organization/Polska Organizacja Turystyczna,
www.pot.pl

Literature (UNWTO and OECD on Internet)

- UNWTO – ETC: *Handbook on Tourism Destination Branding*, Madrid, 2009
- UNWTO – ETC: *Handbook on Tourism Product Development*, Madrid, 2011
- UNWTO – *Policy and Practice for Global Tourism*, Madrid, 2011
- UNWTO - WYSE Travel Confederation, *The power of youth travel*, Madrid (internet)
- UNWTO: *Global Report on Aviation*, Madrid 2012 (internet)
- UNWTO – Cyprus Tourism Organisation: *Local Food & Tourism International Conference*, Madrid, 2003
- UNWTO, *Global Report on Food Tourism*, Madrid 2012 (internet)
- UNWTO, *Global Report on City Tourism*, Madrid 2012 (internet)
- UNWTO: *Tourism Stories – How tourism enriched my life*, Madrid 2013 (internet)
- UNWTO: *The Impact of Visa Facilitation in APEC Economies*, Madrid, 2012
- OECD: *Innovation and Growth in Tourism*, Paris, 2006
- OECD: *Competition Assessment Toolkit* Paris, 2007

Course objective

- Knowledge- The student is aware of, puts on record, and understands the foundations, structure, workings and dynamics of the tourism market worldwide in relation to regions, countries and individual tourism sending and receiving areas
- Skills – The student is able to analyze the tourism market terms of reference in question with a view to evaluating its development potential, problems and opportunities

Course objective (2)

- Social competence – The student is able:
 - (1) to clarify the expected goals and values of tourism
 - (2) to understand the need of active policies, good governance and lifelong learning in the field of tourism, as well as
 - (3) the need of integrating an array of societal actors, disciplines and professional stakeholders required for a satisfactory and optimal tourism product

Introduction to the market and international tourism.

- Definitions
- Economic categories, demand & supply
- The tourism consumer profile and propensity to travel
- Components of the tourism and travel industry
- Indicators
- Direct, indirect and induced effects of tourism production and consumption

Explanation of concepts

- World tourism market represents a totality of local - domestic and international markets constituted and operated by demand and supply. It can therefore be a global market, although never entirely globalized in the sense of free circulation of demand and supply, the latter related to the factors of production.
- From the economic point of view, tourism amounts to a specific part of the market where the demand comes from, and the supply is due, to the consumer temporarily displaced from his or her place of usual residence.
- There are a few formal definitions of tourism in place which do not necessarily capture the whole of its market, hence its economic specificity, in particular disregarding its supply aspect.

Tourism: what is it all about?

Approaches to tourism: by whom and for whom

Concepts (definitions)

- Statistical, macroeconomic
- Anthropological, sociological, cultural
- Colloquial, popular, traditional

Users

- Economists, statisticians, market analysts
- Social sciences
- Public at large, actual consumers, media, politicians

Which of these do we use & for what

- For market analysis
- For marketing
- For lobbying
- For policy making

The term „tourist” (but not „tourism”) appearing for the first time in a legally binding document

- United Nations Convention concerning Customs Facilities for Touring, New York, 4 June 1954 (doc.3992)
 - *The term “**tourist**” shall mean any person without distinction as to race, sex, language or religion, who enters the territory of a Contracting State other than that in which that person normally resides and remains there for not less than twenty-four hours and not more than six months, for legitimate, non-immigrant purposes, such as **touring**, recreation, sports, health, family reasons, study, religious pilgrimages or business*
 - The term “tourism” (instead of “touring”?) does not appear yet
 - Touring in this context is related specifically to people crossing international borders by road vehicles

Definition of tourism in European Union documents

- “Tourism” as such is not defined in EU tourism policy documents (resolutions of the European Parliament, European Commission communications)
 - nor in the Treaties
- Neither is it defined in EU instruments on services (e.g. 2006/123 *on services in the internal market*), referring to tourism services among others
 - Caution: other specific services have neither been defined
- On the other hand, definitions of tourism can be found in instruments concerning tourism statistics (for the purpose of tourism statistics)

Official definitions of Tourism and their features

- United Nations Conference on International Travel and Tourism 1963 held jointly with IUOTO in Rome, Italy, in 1963
 - Tourism as “a demand-side phenomenon”
 - Visitors: tourists + excursionists (one-day visitors)
- Tourism Satellite Account: Recommended Methodological Framework – TSA:RMA 2000, 2008 (United Nations – World Tourism Organization)
 - Defining tourism supply as a separate statistical aggregate

Definition of tourism by TSA 2008 (UN - UNWTO)

The demand perspective

- Travel refers to the activities of travellers
- Tourism is more limited than travel: it refers to specific types of trips:
 - Those that take a traveller outside his/her usual environment
 - For less than a year (and)
 - For a main purpose rather than to be employed by a resident entity in the place visited
- Comment: The notion of activity to be understood as encompassing all that visitors do for a trip or while on a trip

TSA 2008 2.1. 2.2, 2.3

Definition of tourism by TSA 2008 (UN - UNWTO)

The demand perspective (2)

Duration of a trip

- The visitor is classified as a tourist (or overnight visitor), if his/her stay includes an overnight stay, or
- As a same-day visitor (or excursionist) otherwise

Specification of main purpose of a trip by tourists and same-day visitors:

- Personal
 - Holidays, leisure and recreation
 - **Visiting friends and relatives**
 - Education and training
 - Health and medical care
 - Religion/pilgrimages
 - Shopping
 - Transit
- Business and professional

TSA 2008 2.12, 2.18

Defining and understanding tourism vs. travel and demand

- In current statistics-conducive language (TSA 2008) the term tourism is part of travel (subcategory of travel) and demand is explained by the “activities of visitors” outside their usual environment
- Also the (international) “travel” item (as expenditure) in the balance of payments (countries, International Monetary Fund (IMF) reporting) is different from the “tourism” item; tourism is a subcategory of travel by IMF.
 - The term “visitors” (TSA) alludes to their number and eventually is brought down to “tourist arrivals” in mainstream statistics (part of visitor arrivals).
 - UNWTO measures (estimates) them at national borders, while Eurostat – at accommodation establishments
 - Comment: “Activities” translate into expenditure hence consumption (expenditure on consumption of goods and services when travelling)

Official definitions of Tourism and their features (2)

- European Union – for Eurostat (EU statistical service)
 - Employs the term “tourism” in Directives, Decisions and Communications, as well as in Regulation 692/2011 where it is defined, also as a “demand – side phenomenon”.
 - It is binding for national statistical offices of the European Union countries for the purpose of compiling tourism statistics, to be supplied to Eurostat (statistical service of the European Union).

First EU definition of tourism in Council Directive 95/57/EC on the collection of statistical information in the field of tourism (repealed in 2011)

- *Tourism ...shall mean... residents...and... non-residents travelling within the given country... (or) ... in another country.*
- *Tourism demand shall concern trips the main purpose of which is holidays or business; ... one or more consecutive nights...*

(From article 2(b) and (c))

(New) definition in Regulation (EU) No. 692/2011 of the European Parliament and of the Council of 6 July 2011 concerning European statistics on tourism (binding for national statistical offices)

- *“...tourism’ means the activity of visitors taking a trip to a main destination outside their usual environment, for less than a year, for any main purpose, including business, leisure or other personal purpose, other than to be employed by a resident entity in the place visited;*
- *Notes:*
 - *Only tourism demand is addressed*
 - *“Residents” and “non-residents” have now been brought down to „visitors”*
 - *“Business”, as a purpose, has now been put at the beginning, before leisure*
 - *“European” is actually “European Union”*
 - *EU definition follows the UN-UNWTO provided in TSA (2008)*

Tourism coverage by Regulation (EU) No. 692/2011: domestic, national and internal, outbound and inbound, put together, hence world or global tourism

- *‘domestic tourism’ means visits within a Member State by visitors who are residents of that Member State;*
- *‘inbound tourism’ means visits to a Member State by visitors who are not residents of that Member State;*
- *‘outbound tourism’ means visits by residents of a Member State outside that Member State;*
- *‘national tourism’ means domestic and outbound tourism;*
- *‘internal tourism’ means domestic and inbound tourism;*

**“Main purpose of the trip” according to EU
(regulation (EU) No 692/2011):**

- 1. Three types of “personal” trips plus**
- 2. Combined professional/business category**

(a) Personal: leisure, recreation and holidays

(b) Personal: **visiting relatives and friends**

(c) Personal: other (e.g. pilgrimage, health treatment)

(d) Professional/business

International tourism as “consumption abroad” by the World Trade Organization (WTO)

- In legal language, international tourism, as trade in “tourism and travel related services”, is explained or expressed by consumption abroad (WTO’s General Agreement on Trade in Services – GATS)
- It therefore amounts to outbound tourism
- WTO members commit to increasingly lift limitations to consumption abroad (remove administrative barriers to travel abroad)
- “Consumption abroad” is considered to be one of the four “modes of supply of a service”.

Other modes of supply of a service according to WTO (by GATS)

- The other modes of supply of a service include:
 - Cross-border trade (by means of telecommunications or postal infrastructures), e.g. consultancy, market research reports, tele-medical advice, distance training (e-learning), architectural drawings, etc.
 - Commercial presence (locally established affiliate, subsidiary, or representative office of a foreign-owned or controlled company (bank, hotel group, construction company))
 - Presence (movement) of natural persons (independent suppliers of services - not as juridical persons: consultant, health worker, employee, chef, CEO, etc)
 - These could be considered as business or professional travellers

Categories understood not to be covered by tourism (UNWTO)

- Migrants (changing usual residence)
 - Nomads
 - Military personnel
 - Diplomatic personnel
 - Commuters (attending work places)
-
- Except for military personnel (troops), these categories are technically difficult to disaggregate from travel flows, hence they tend to inflate genuine tourism figures

Misunderstandings about tourism

- Even though tourism has been defined, over and over, by experts, be it statisticians or economists, it continues to give rise to misunderstandings or even abuse of the term.
- Hence the resulting vision of tourism is distorted in the public at large while people take official statements about it (its volume and importance) for granted.
- Definitions are also inconsistent, and perhaps they can never be consistent enough, so as to capture all the dimensions and ramifications of tourism, i.e. movements of persons
- Said misunderstandings, inconsistencies and distortions are also responsible for misunderstandings in tourism policy – making.

Misunderstandings about tourism (2)

- The overall economic importance of what is called tourism in statistical reporting is due to all consumption outside home motivated by whatever purpose, while people may believe it comes from “typical tourism” (leisure trips).
- Also, quite often, (more) substantial tourism consumption and income (i.e. due to sales to visitors) is not necessarily due to „the main purpose of the trip” (such as, e.g., sightseeing – visiting an attraction), but rather to the related purchase of goods and services by the visitor, which are needed to sustain the visit concerned.

Typical statements about the importance of tourism

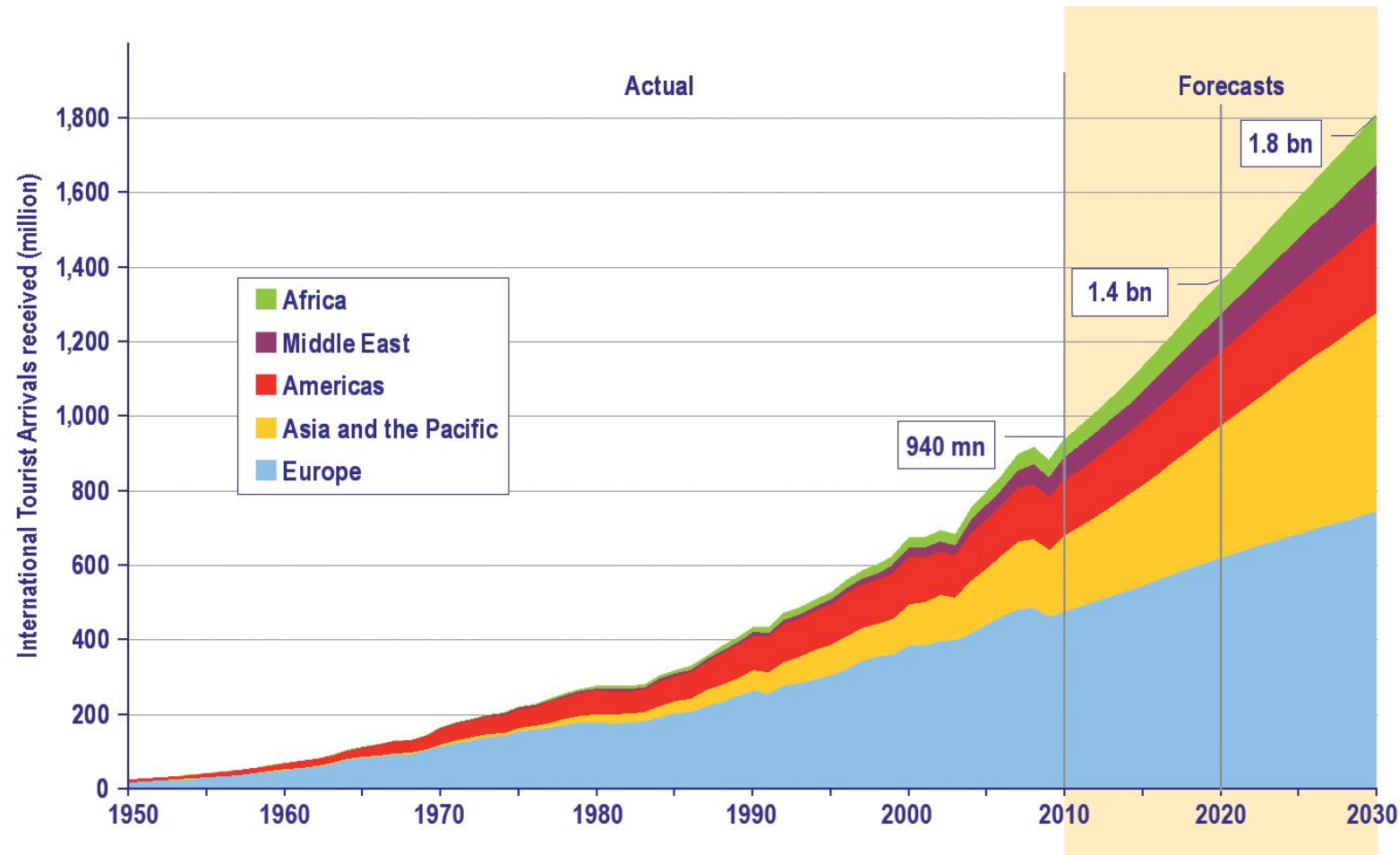
- “one of the most promising drivers of growth for the world economy”
- “5 per cent of global GDP”
- „about 8 percent of total employment”
- „fourth in global exports (after fuels, chemicals and automotive products)”
- „6 per cent of total exports”

Typical statements about the importance of tourism (2)

- „30 per cent of the world’s exports of commercial services”
- „continuous yearly growth over the last sixty years” of (international) „tourist arrivals”
- „four billion estimated domestic arrivals every year”
- “key to development, prosperity and well-being” (!)

Quotations from “UNWTO’s chapter” to *Towards green economy*, UNDP 2011, T-20 Cannes, UNWTO Tourism Highlights 2012, etc.

UNWTO presentation: Tourism Towards 2030: Actual trend and forecast 1950-2030 (effective demand for international travel)



Reporting on Tourism (“Travel & Tourism”) by the World Travel and Tourism Council (WTTC)

- WTTC is a private group (NGO) of tourism products wholesalers (multinational companies). WTTC was first convened by American Express.
- For WTTC, *Oxford Economics* has made up a TSA (Tourism Satellite Account) of its own. It is different from that of United Nations – UNWTO – Eurostat – OECD (TSA:RMF 2008).
 - *(TSA:RMF 2008) Accounting methodology quantifies only the direct contribution of Travel & Tourism.*
 - *While WTTC recognises that Travel & Tourism's total contribution is much greater, and aims to capture its indirect and induced impacts through its annual research... (WTTC 2011 World Economic Impact Report)*
 - “It represents a demand –side approach with a comprehensive definition of its scope, linked by economic models to supply-side concepts”
 - It relies heavily on economic modelling techniques

**Direct and total contribution
of “travel and tourism” measured for WTTC
by *Oxford Economics***

GDP: Direct Contribution

- The direct contribution of “Travel & Tourism” to GDP is expected to be US\$1,850.0bn (**2.8% of total GDP**) in 2011, rising by 4.2% pa to US\$2,860.5bn (2.9%) in 2021 (in constant 2011 prices).

GDP: Total Contribution

- The total contribution of Travel & Tourism to GDP, including its wider economic impacts, is forecast to rise by 4.2% pa from US\$5,991.9bn (**9.1% of GDP**) in 2011 to US\$9,226.9bn (9.6%) by 2021.
-

Direct and total contribution of “travel and tourism” measured for WTTC (2)

Employment: Direct Contribution

- Travel & Tourism is expected to support directly 99,048,000 jobs (**3.4% of total employment**) in 2011, rising by 2.0% p.a. to 120,427,000 jobs (3.6%) by 2021.

Employment: Total Contribution

- The total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, is forecast to rise by 2.3% p.a. from 258,592,000 jobs (**8.8% of total employment**) in 2011 to 323,826,000 jobs (9.7%) by 2021.

Other ways of reading tourism (social aspects)

- To recall: tourism at its origin is supposed to mean touring other places (other than usual environment) in order to ultimately return home. It can also be interpreted as:
 - Exercise of freedom by individuals (freedom/right to travel and to return home - as a civil right), once available only to the elite, today to “global citizens” and city dwellers, whose volume is broadening

Other ways of reading tourism (social aspects) (2)

- Freedom of movement – a civil right (*ius civis*) enacted in many national laws (constitutions) and accorded by States to their citizens.
- Political freedom from sending States to consume abroad. Notable recent developments: freedom of domestic travel within the former USSR and China, travel abroad by Cuban citizens
- Economic barriers from within
- Political/economic barriers by receiving States
 - Red tape formalities

Other ways of reading tourism (3)

- “A well-aimed and pertinent metaphor for contemporary life” (Zygmunt Bauman, Polish/British sociologist)
- Disguised – soft form of (temporary) colonization/ appropriation of foreign lands, environments and people (Peter Sloterdijk, German sociologist)
- Undercover form of economic and cultural conquest, e.g., by means of foreign direct investment (Joseph E. Stiglitz, US economist)
- Hyper-reality of “non-sites” – e.g. passing life in transit places; advertised sites are next door but never visited (Marc Augé, French anthropologist)

Why are misunderstandings and exaggeration about tourism in place?

- Irrespective of whatever experts decide and agree upon, the public at large and politicians consider tourism as:
- Nature and city sightseeing, adventure, excursions, walks, visiting attractions (museums), trips for entertainment purposes
- Beach (“sunbathing”), winter and nature sports activities
 - Other recreation activities outside usual residence

Why are misunderstandings and exaggeration about tourism in place? (2)

- The public at large and politicians may not necessarily identify with tourism such categories as:
 - Education and training
 - Health and medical care
 - Religion/pilgrimage
 - Shopping (should it be considered as entertainment?)
 - (Other?)
 - Transit (mostly a technical or access category) is also included as a “purpose”, while there may be three types of transit: in air transport (airports), in road transport (land) and maritime transport (sea ports), including cruise seaside calling
 - **Visiting friends and relatives**, which reserves separate focus due to its peculiarity

Why are misunderstandings and exaggeration about tourism in place?

(3) Inclusion of business and professional (B&P, occupational) purposes

- B&P encompasses host of different motivations and types of expenditure, whereby certain determinants of “tourism” can hardly be respected, e g:
 - Foreign consultants use tourism (hospitality) services in the destination, but these are often paid for by their host customers, they also receive fees from them as if they were their employees.
 - Business travellers’ expenditure is often charged to their companies’ affiliates abroad, i.e. they don’t contribute additional direct income from abroad.
 - Tourism consumption by diplomats and foreign troops is normally included in the count.

Why are misunderstandings and exaggeration about tourism in place?

(4) Inclusion of business and professional (B&P, occupational) purposes

- Business and professional consumers of travel (transport, destination services) don't consider themselves to be "tourists", but they may acquire typical tourism services in transit and on the spot (from accommodation to sightseeing, recreation and cultural services)
 - Business trip + real tourism on the increase (so called bleisure)
- Carriers (air, rail, bus, ferry) regularly and normally distinguish between "tourists" and other passengers, or rather call their customers as passengers altogether.

Understanding tourism in relation to the world tourism market

(recommended working definition)

- Tourism is defined by all the inter-related processes resulting from the consumption of goods and services:
 - by people who travel and temporarily stay in places, whether in their home country or abroad, other than their usual residence,
 - either at their personal and private expense or the expense to be charged to their occupational activities, whereby the means covering the expense originate in the place of their usual residence or occupancy,
- Also resulting from the production of said goods and services intended to satisfy the needs and demand by these people in their quality of consumers.*

*Largely modified definition of *Fremdenverkehr* by H. von Schullern zu Schrattenhoffen, provided in *Jahrbuch für Nationalökonomie und Statistik*, 1910 (Austria). It is not the formal UNWTO/EU definition

Some conclusions

- Ambiguity in defining tourism (but full consistency and precision are impossible)
 - Tourism is “liquid” – it is to be found everywhere
- The ambiguous notion of tourism helps in image creating and lobbying
 - It may benefit primarily big players (big companies)
 - Lobbyists continue to complain about a banal perception of tourism
 - Tourism may be abused politically

Some conclusions (2)

- Travel or tourism demand each time should be identified as purpose –specific (whether leisure-related, VRF or business).
- Tourism is used as a fitting development option or an excuse in the case of underdeveloped and poor countries and economies (islands, land-locked countries, Sub-Saharan Africa).
- It is necessary to open to other (than purely economic) kinds of interpreting tourism.

Continuous doubts about tourism

- **Quote:**

- *“Doubts have been expressed about the desirability of an expanding tourist trade. Among the adverse effects that have been cited are pollution, overcrowding, inflation, abandonment of agricultural land, and adopting foreign habits and values. It has also been noted that tourist trade is seasonal, subject to whims and fashion, and particularly vulnerable to world economic conditions”*
- *“It also requires substantial investment, particularly in luxury accommodations that are not easily convertible to more mundane uses if business fails to develop or declines”.*

- Source: Eugene k. Keefe *Area Handbook for Greece*, Library of Congress, Washington D.C., 1977

True economic and market importance of tourism

- No single country in the world today can do without “tourism” in any of its manifestations (leisure, VRF, business) – because people need, even must, want and demand to travel and the destinations need to deal with, and possibly capitalize on, this demand.
- Tourism is remarkably important for global culture and lifestyle, as it influences and strengthens consumption patterns outside tourism.
- Tourism therefore IS important, but not so fundamentally and specifically important for the economy as “a driving force” *per se*, in the sense that once it is promoted, the economy will benefit.
- International tourism is important in as much it contributes to international trade and intervenes in the balance of payments and national accounts.

True economic and market importance of tourism (2)

- It is important for the economy in terms of how the market actually performs or works with it.
- It is important for the economy and livelihoods in specific tourism receiving areas, i.e. in the areas which have opted for and depend on this economic activity (amounting to supplying goods and services predominantly to external customers), but it does not necessarily translate into high living standards of the host population.
- For the economy as a whole, it does not necessarily provide an additional “added value” but rather amounts to generating a “dislocated value” (i.e., aborted from the place of residence of the traveller).

Defining and understanding the world tourism market

Demand and supply as one

Market origin (semantic)

- Market (marketplace) is a physical or virtual place where supply confronts demand (or *vice versa*).
 - The original Latin word for “market” was *merx* which stood for “goods to be sold”
 - From it was derived the word *mercari* - to buy
 - In Central and Eastern Europe (Poland, Russia...) the term comes from the German “ring” (circle)
 - In Southern Slav Europe the term comes from the parallel term “targ” (trg, tržiste...)
- “Market” is often confused/coined with demand (“there is no market for....”), so much as business is confused with economy
 - The same goes for “the tourism market”

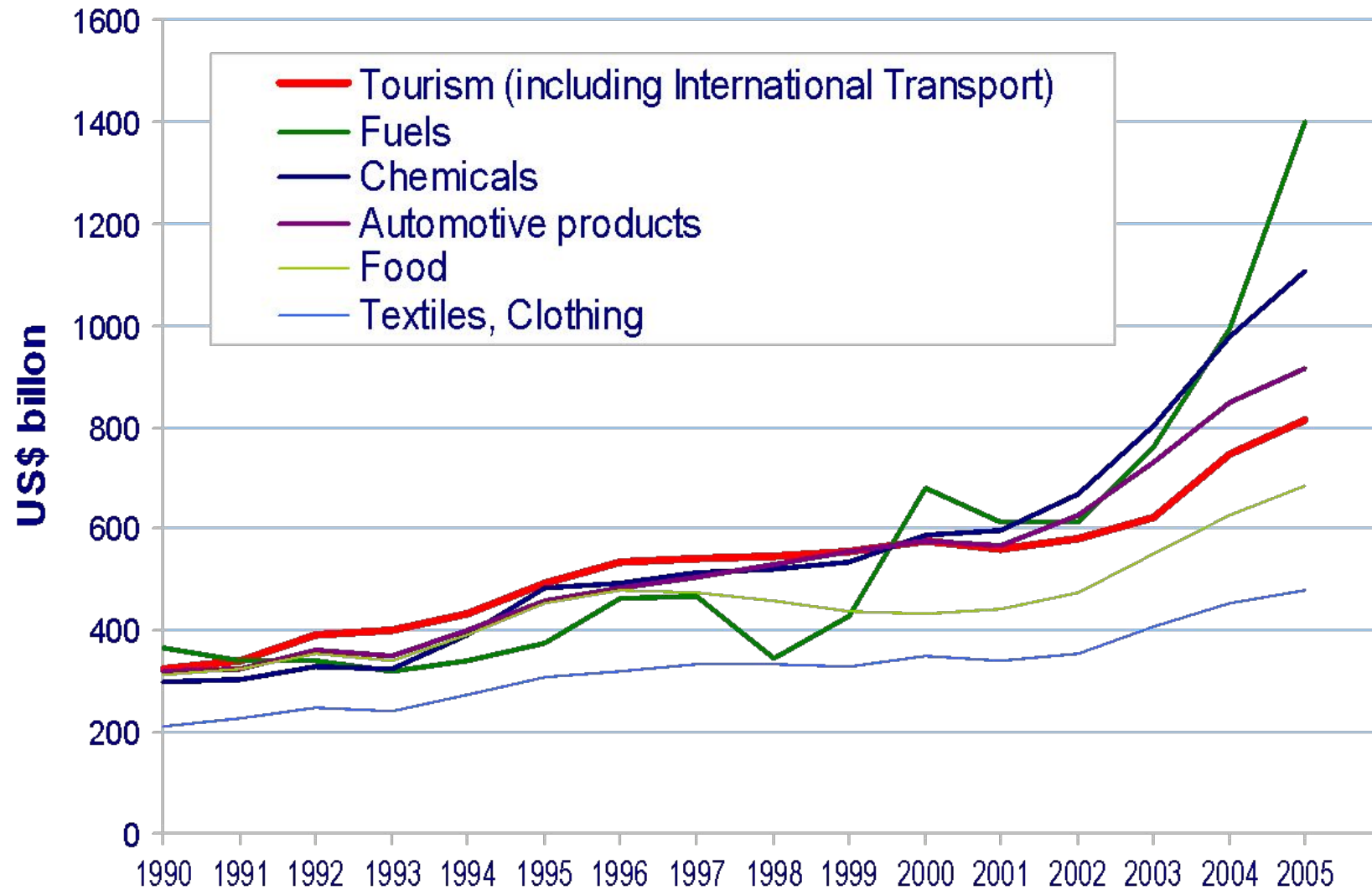
Specificity of the tourism market

- In tourism (understood as going somewhere for something) the tourism product is associated with a specific place other than usual residence of the consumer: he/she has to travel there in order to consume goods and services needed for his/her journey and stay in order to enjoy a tourism product;
 - it also includes consuming goods and services on the way to the place and on the way back
- ...while elsewhere in the market, (other) services and goods are largely consumed in the place of residence; these can either be produced on the spot or need to travel to the consumer (imported)
- Today they (goods and services) also increasingly travel, or rather are moved, right away to households (by Amazon & the like).

Specificity of the international tourism market

- The supply of goods and services to international visitors as consumers is compared to (or synonymous with) with exports whereby
 - the “exported” item does not need to cross international borders (hence the economy on transport and other transaction costs)
 - the “exported” item is taxed locally (VAT)
 - The exported item is consumed instantaneously in the place (country) of its origin
 - It is therefore expected to be more commercially advantageous, also due to:
 - Comparative advantages
 - Competitive advantages
- International tourism, coined as “international trade in tourism services” is therefore compared to the volume of all international trade (global trade), of which to “international trade in services” (all of them)

UNWTO reporting on trade in tourism services as International Tourism Receipts vs. other export categories (consumed supply)



Specificity of the international tourism market (2)

- A tourism product (a singular service or a composite product) can function also on a virtual market. It occurs where the consumption (delivery) of a specific product (e.g. a transport service or a package) is postponed or delayed, but the product has been purchased beforehand. It is thus covered by the WTO/GATS cross-border mode of supply.
- At international level, tourism and the tourism market have traditionally been assessed from their demand side (see UNWTO/EU definitions) with reference to travellers' "activities" (i.e. consumption). Nevertheless, the measure employed in quantifying tourism and its market are usually brought down to international tourist or visitor arrivals and the expenditures of the travellers concerned reported as receipts, while the effects of tourism consumption are measured by Tourism Satellite Account (TSA).

Specificity of the international tourism market (3)

Comments regarding statistics

- Tools and quality of numerical data employed to measure and monitor the international tourism demand are actually poor, but they can be assisted by qualitative data and rankings, e.g., indicating propensity to travel, some of which are not necessarily aggregated and comparable at international level.
- By contrast, at individual industry level (output, supply), more sophisticated indicators, quantitative and operational, do exist (e.g. with respect to air transport services or the hotel trade), similar to other industries or economic activities
 - at company, sector/ national, regional and international levels
 - examples: passenger per employee, overall labour productivity, labour cost per passenger or aircraft movement, etc.

International tourism as trade and its consequences

- The market in action implies trade; trade in tourism services is inherent to, or synonymous with, the functioning tourism market.
- As is the case of other market products, the world tourism market is shaped by the relations between demand and supply; the production and trade relations are responsible for linkages within, and leakages to, an economy (local, national, foreign).

International tourism as trade and its consequences (2)

- Tourism production and expenditure/consumption are responsible for direct, indirect, induced and leakage effects on an economy – as any other production – expenditure-consumption.
- Linkages, leakages as well as direct, indirect, induced and leakage effects are more enhanced in international tourism than is the case of other areas of trade.

Defining the effects of tourism production and effective demand as well as the anticipative production looking forward to satisfy demand

- Direct effects: immediate effects of the additional demand on production processes and the supply of goods and services, and the resulting value added.
- Indirect effects: the chain of effects that enables the activities direct serving visitors because of linkages.
- Induced effects: increased demand for goods and services through a rise in household consumption due to the increase of income distributed to the labour force and the owners of productive capital.
 - Direct, indirect and induced effects are also called spillover or/and multiplying effects

Direct effects of tourism (production and consumption) and their relationship to the tourism satellite account

Measured by the Tourism Satellite Account - TSA (authored by UN – UNWTO – OECD - EU). It looks into:

- (1) The immediate effects of the additional demand, viz:
 - Tourism internal consumption or
 - Total tourism internal consumption
- (2) The effects of the demand on the production processes and the supply of goods and services

and measures the volume of:

- (3) Additional goods and services, and (4) additional value added and its components generated by said demand.

Commentary: TSA seen by OECD

- *“The TSA remains essentially a static accounting of the contribution which tourism makes to an economy”*
- *“The TSA is not a suitable instrument for measuring the impact that changes in tourism demand, or changes in the broader economy, will have on key parameters (e.g. gross value added, employment) and hence for dealing with many of the policy issues that governments face in regard to tourism, even at the level of economic impacts alone...”*
- Source: The Tourism Economy and Globalisation, High Level Meeting of the OECD Tourism Committee, 9-10 October 2008, Riva del Garda, Italy

The “hidden” part of the tourism market: intermediate consumption of products due to indirect effects through linkages (CPC categories)

- Agriculture, forestry and fishery products
- Ores and minerals, electricity, gas and water
- Food products, beverage and tobacco, textiles, apparel and leather products
- Other transportable goods, except metal products, machinery and equipment
- Metal products, machinery and equipment
- Constructions and construction services
- Distributive trade services, accommodation, food and beverage-serving services, transport services; and electricity, gas and water
- Financial and related services, real estate services, and rental and leasing services
- Business and production services
- Community, social and personal services

CPC: Central Product Classification

Leakages – direct and indirect

- Leakages occur when part of earned income from the activities catering to visitors is not retained (consumed, saved, invested) by the receiving economy, but instead appropriated by other economies in the form of their exports of goods and services to the economy in question.
- Direct leakages relate to direct tourism consumption (e.g. importation of food, beverages, hotel items, vehicles, etc. which are not produced by the receiving economy.

Leakages – direct and indirect (2)

- Indirect leakages and outflows of income can also occur - when imports are needed to satisfy the increased and additional demand resulting from indirect and induced effects on the economy visited.
- Tourism leakages constitute a serious problem for underdeveloped economies which do not produce (most of) the consumption inputs and items normally needed and consumed particularly by leisure and business visitors.
- Tourism leakages externalize the economy the same way as is the case of other industries requiring imports.

Inputs to the tourism product as leakages in underdeveloped countries

- Capital equipment
- Software
- Technology
- Management
- Marketing
- Franchise and management fees
- Booking commissions
- Training fees
- Transport
- Material imports (food, equipment ...)

Defining and understanding the world tourism market

The Demand Side

Where does demand for travel or tourism really come from?

Travellers and their status

- Those who need or must to travel for personal as well as professional or occupational purposes
 - Financing their trips from personal or shared income or charging cost to their professional/occupational activity (two categories of travellers).
- Those who choose and are motivated to travel for pleasure, curiosity, new experiences and personal needs and interest
 - Financing their trips from personal income

All end up by becoming consumers of tourism services and products while travelling

Where does demand for travel or tourism really come from?

Barriers and enablers (hard factors to deal with)

Economy

- Those who can afford to travel on own account
 - Those who are economically assisted to travel

Physical/built-up environment

- Those who are assisted to travel thanks to the enabling environment (people with disabilities)

Administration/State

- Those who are legally entitled to travel: leave their territory and cross internal/national borders
- New factor: Access to and use of new technologies (ICT)

Travel demand by purpose characteristics in more detail.

- From the demand side, tourism is conducive to the consumption of a variety of goods and services by persons who temporarily leave home and travel to other places for a variety of purposes:
 - Group 1. largely associated with leisure, travelling for rest and recreation (holiday), change, entertainment, culture, health, sport, shopping, satisfaction of interests of all kinds, including spiritual or religious
 - at leisure time, during paid or unpaid holidays or breaks (weekends, national holidays)
 - at travellers' own cost (household funds)
 - largely at seasonal periods (winter, summer, school holidays)
 - **Enabling factors and circumstances:** freedom to travel (administrative, physical), disposable and consumption-oriented income (or socially-assisted), entitlement to paid holidays

Travel demand by purpose characteristics in more detail (2)

- Group 2. Visits person-to-person, visiting relatives and friends (for the sake of sustaining personal contacts outside professional/occupational dimension), popularly known as VRF
 - Pleasure and sentimental trips, emergency visits
 - Largely at leisure time (holidays and breaks)
 - whereby the travel cost is often shared, or always shared to some extent, between the visitor and the host.

Enabling factors and circumstances: freedom to travel, migrations, international cooperation/expats, new peer-to-peer spurred by social media, ownership of second homes and time-share

Travel demand by purpose characteristics in more detail (3)

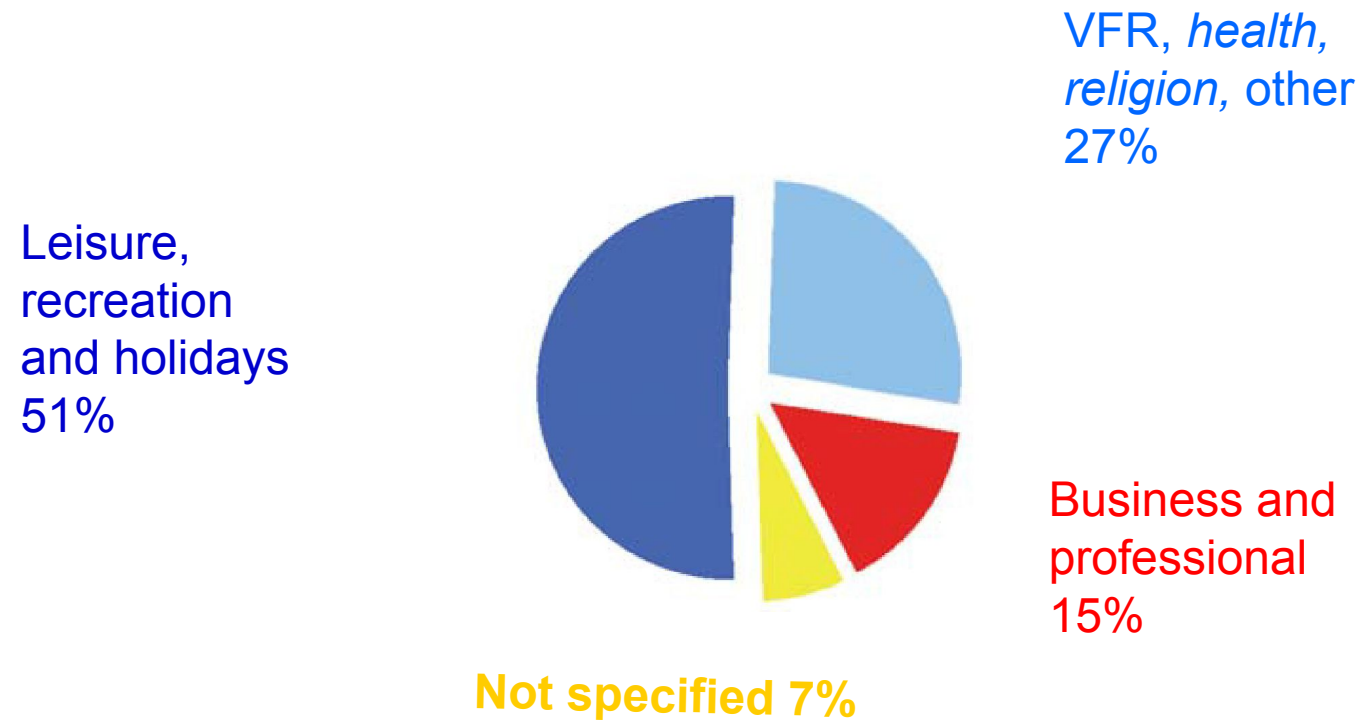
- Group 3. Professional activity and occupation, commerce - business, official duty, science, study and field research, journalism, politics, company staff “integrating” events (incentive travel), charities
 - obligated travel
 - usually effected outside appointed leisure time
 - can be combined with leisure (“bleisure”) and accompanying persons
 - basically non-seasonal (flat curve)
 - usually not on week-ends
 - whereby the cost is charged to the organization responsible for the trip concerned, including to own company (the self employed - own-account workers)
 - **Enabling factors and circumstances:** freedom to travel, business environment, events of international importance, international cooperation: professional, scientific, academic, economic, political, etc.

Why it is important to discern between these three types of movements of persons

- Different tourism policy measures are needed for each type
- Different marketing techniques are necessary to promote travel
- Different types of travel finance are in place (who pays)
- Different seasonal preferences
- Different enabling factors

The way the breakdown of tourism is depicted by UNWTO statistics

Inbound tourism by purpose of visit (2011)



There may be coinciding, multiple, principal and secondary motivations or specific centres of interest to travel among the principal three (four) travel purposes

Propensity to leisure travel (enabling factors)

- Propensity to leisure travel depends on:
 - Freedom to travel
 - Disposable income in household (family)
 - Entitlement to paid holidays (when employed) or self-determined (entrepreneurs and self-employed)
 - Number of vacation days available to the employed/self-employed and actually taken by them
 - e.g., in UK alone, two million families (seven million people) cannot find the money for an annual holiday, while five million cannot afford even a simple day out (source:<http://www.holidaysmatter.org.uk>)

Propensity to leisure travel (enabling factors) (2)

- When it comes to leisure tourism, there is still a large scope for social tourism, where people may seek and obtain assistance to be involved
 - where people are not entitled to paid holidays or cannot afford pleasure trips at leisure time
 - where people are discouraged to travel due to their personal impairments or disabilities
- Both occur everywhere, even in the most prosperous and developed countries (e.g. OECD countries)

Given the economic barriers, who is fit for travel, for any purposes?
The social class determines mobility and travel propensity
New social classes and hierarchies in Poland

- 1. Elite
 - governing class, prestige and money hand-in-hand: influential and wealthy politicians, CEOs, artists (celebrities); holders of real estate, having children studying abroad and direct access to power (political) class
- 2. Upper middle class
 - As above, but less wealthy; liberal professions, media moguls, university elites, high government officials, middle-rank business, managers in big cities
- 3. Specialists
 - Skilled and highly competent professionals with technical university degrees, managers at middle and lower levels
- 4. Civil servants' class
 - Middle and lower government officials, police, state security, local government officials and workers

New social classes and hierarchy in Poland

- 5. Commercial and services sector staff
 - Largely of working class and generation “Y” origin, shop-assistants and salesmen (women), agency and call centre staff, small business (owners)
- 6. Skilled workers
 - Trained, expert manual workers largely enjoying permanent jobs
- 7. Farmers
 - Small scale farmers of low and changing income (excludes big scale farmers)
- 8. Unskilled workers
 - Ill-educated, performing low-paid, unstable, seasonal jobs
- 9. Underclass, “out-people”
 - Permanently unemployed, living on unemployment benefits, excluded from social activities and public life of any kind

Entitlement to paid holidays (examples) and the days actually taken (in brackets)

- Europeans 28 days off on average
 - the highest in Denmark, France, Germany and Spain (30/30 days)
 - UK – 26 (25)
 - Italy – 28 (21)
 - Austria, Norway, Sweden – 25 (25)
 - Netherlands – 25 (24)
 - Ireland – 22(21)
- USA – 15(14)
- Mexico- 15(12)
- Canada – 17(15)
- Australia – 20(15)
- Hong Kong 14(14)
- India – 20(15)
- Japan – 20(10)
- Malaysia – 14(10)
- New Zealand – 20(15)
- Singapore – 16(14)
- South Korea – 14(7)
- Thailand – 11(10)
- UAE – 30(30)

Source: Expedia's 2014 Vacation study

Deprivation

When people have to finance their trips

- Another social class approach to mainstream population (excluding elites) as generators of genuine tourism demand (going on holidays and sightseeing), to be satisfied from their own income

1. Salaried public sector staff
2. Private business owners
(entrepreneurs) including self-employed
3. Salaried workers in private businesses
4. The unemployed
5. The retired and the young

Three people's greatest desires in Poland

1. Health
2. well-paid work
3. Travel and visit the world, leisure tourism, seaside holiday, health resort
 - 2002 – 12.8%
 - 2013 – 15.3%

Source: TNS Polska 2013

Consumer types profiles according to employment status (EI)

- Employment status
 - Working full-time
 - Full-time or part-time student
 - Working part-time
 - Completely retired
 - Self-employed
 - Looking after the home
 - Intern or volunteer
 - Disabled/ill and not working
- Specific data for cluster analysis
 - Personal traits
 - Shopping preferences and “green” attitudes
 - Technology usage
 - Healthy living habits
 - Eating and drinking behaviours

Another approach: Consumer types who can afford (according to Euromonitor International)

- Undaunted Striver
 - Trendy
 - Optimistic
 - Empowered
 - Outgoing
- Content Streamer
 - Spectator
 - Media savvy
 - Price-conscious
 - Still forming opinions
- Savvy Maximizer
 - Family-oriented
 - confident
 - Bargain hunter
 - Practical
- Secure Traditionalist
 - Settled in ways
 - Comfortable
 - Saber
 - Independent

Source: Euromonitor International: Four
Consumer Types to Optimize Marketing Strategy,
2014

Breakdown of tourism consumer types by countries (E.I.)

Undaunted strivers

- France: 4%
- Germany: 4%
- United Kingdom: 9%
- USA: 13%
- Brazil: 33%
- China: 41%
- India: 49%
- Japan: 2%

Savvy maximizer

- France: 22%
- Germany: 21%
- United Kingdom: 22%
- USA: 28
- Brazil: 33%
- China: 19
- India: 26%
- Japan: 15

Breakdown of tourism consumer types by countries (E.I.) (2)

Content streamer

- France: 20%
- Germany: 16%
- United Kingdom: 25%
- USA: 22%
- Brazil: 29%
- China: 32%
- India: 22%
- Japan: 18%

Secure traditionalist

- France: 53%
- Germany: 59%
- United Kingdom: 44%
- USA: 37%
- Brazil: 5%
- China: 8%
- India: 3%
- Japan: 65%

Indirect indicators for generating tourism flows, entrepreneurship and business trips

Prosperity of nations by *Legatum Prosperity Index 2013* 8 sub-indices

ECONOMY

- macroeconomic policies, economic satisfaction and expectations, foundations for growth, and financial sector efficiency

ENTREPRENEURSHIP & OPPORTUNITY

- entrepreneurial environment, its promotion of innovative activity and the evenness of opportunity

GOVERNANCE

- effective and accountable government, fair elections and political participation, and rule of law

EDUCATION

- access to education, quality of education and human capital

HEALTH

- basic health outcomes (both objective and subjective), health infrastructure, and preventative care

SAFETY & SECURITY

- national security and personal safety

PERSONAL FREEDOM

- guaranteeing individual freedom and encouraging social tolerance

SOCIAL CAPITAL

- social cohesion and engagement, and community and family networks

Prosperity enables tourism (demand and supply)

Prosperity ranking by *Legatum*

The first ten

- 1. Norway
- 2. Switzerland
- 3. Canada
- 4. Sweden
- 5. New Zealand
- 6. Denmark
- 7. Australia
- 8. Finland
- 9. Netherlands
- 10. Luxembourg
- 11. USA
- 14. Germany
- 16. United Kingdom
- 29. Czech Republic
- 34. Poland
- 35. Chile
- 47. Kazakhstan
- 49. Bulgaria
- 54. Greece
- 55. Romania
- 58. Belarus
- 63. Russia
- 64. Ukraine

International business and other special interest arrivals at national level in Europe (3 countries) in 2013, importance of domestic travel (Timetric, T&T in Germany to 2018)

Business travel

- **Germany** -- 12.6 million trips, out of 31.5 million total (40%) and 26% of total trips (domestic and inbound)
- **France** – 5.0 million
- **United Kingdom** – 4.2 million

International business and other special interest arrivals at national level in Europe in 2013, importance of domestic travel (Timetric, T&T in Germany to 2018) (2)

Germany

- Medical tourists (inbound) - 242,784 (8.95% CAGR since 2009), to reach 344,304 by 2018
- Cruise tourism (passengers), largest in Europe - 1.7 million in 2013, at a rate of 9% since 2009
- Domestic tourists - 165.5 million in 2013, compared to only 31.5 million international tourist arrivals in the same year
 - its expenditure valuing **EUR224.5 billion in 2013**
 - while inbound tourism expenditure (receipts) totalled **EUR40.6 billion**
- **Outbound tourism** - 85.5 million in 2009 to 84.5 million in 2013, at a CAGR of -0.32%.

CAGR – compound annual growth rate

Example of business travel spending profile: Expenditure on hotel stays in USA (3rd quarter 2013)

- Business travelers booking through Orbitz's business platform (source: STR Global)
- Indicates market (demand) segmentation

Scale	% roomnights booked	Average cost /night	YOY change
Luxury	2%	\$228	+3%
Upper upscale	31%	\$165	Flat
Upscale	29%	\$141	+1%
Upper midscale	26%	\$118	+3%
Midscale	10%	\$105	+1%
Economy	2%	\$85	-7%

Soft cultural factors characteristic of a social class and hierarchy determining travel propensity □ life style

Majority groups generating travel

- The middle class
- City dwellers

Life style

- How I relax and spend my leisure time
 - Ways of spending holidays (adults, their children) are indicators of a social status
 - Language (English) courses even in Australia
- What I eat and drink
- How I dress
- What objects I choose to accompany me at home
- How I educate my children

Information and communication technology development enabling tourism demand and supply

- Measuring ICT Development Index (IDI) by the International telecommunications Union (ITU)
 - First 10: Rep. Korea, Sweden, Iceland, Denmark, Finland, Norway, Netherlands, UK, Luxembourg, Hong Kong (China)
 - US – 17, France -18, Germany – 19
 - Poland – 37 (2012) from 32 (2011), Belarus – 41 (2012) from 46 (2011), Ukraine – 68 (2012) from 69 (2011)
 - China – 78 (2012) from 79 (2012)

Source: *Measuring the information society 2013*

ITU, Geneva, 2013



Key findings (ITU Report)

- Between 2011 and 2012:
 - ICT levels increased almost everywhere
 - Gap between top and bottom performers remains high
 - Developing countries are catching up in the IDI use sub-index
 - Lowest IDI group: : Least Connected Countries (LCCs), home to 2.4 billion people
 - These could potentially derive the greatest benefits from ICTs in areas such as health, education, job creation

Why do absolute figures of international tourist arrivals constantly increase?

1. Population growth: more people, more travel globally
2. Overall development – tourism in all its facets is a result (outcome, product) of social and economic development: the more development, the more tourism
 - Substantial increase of the middle class in emerging economies (BRICS)
 - The tourism sector (tourism industries) contributes to development (qualitative) and economic growth (quantitative) the same way as other sectors do

Comparison between population growth and international tourist arrivals

- Global demographic growth

- 1950 – 2.55 billion
- **1960 - 3 billion**
- 1980 - 4.5 billion
- 1999 – 6 billion
- **2011 - 7 billion**
- **2014-2015 - 7.3 billion**

- Rapid but slowing growth

- International arrivals

- 1950 – 24 million
- **1960 - 69 million**
- 1980 - 278 million
- 2000 – 682 million
- **2011 - 983 million**
- **2014 - 1.113 million**

- The “arrivals” curve needs to be adjusted to demographic growth!

Why do absolute figures of international tourist arrivals constantly increase? (2)

3. Social and technical mobility

- As part of development
 - Increasing with technologies (including transport)
 - Cultural curiosity (anthropological)
 - Expanding professional outreach
 - Education
 - human needs of mobility (to travel) to be satisfied under appropriate conditions

5. Efforts of the tourism sector (capturing the consumer and supplying services, internally and externally) to gain its part of the consumer market

The providers' (supply) perspective of travel demand

Terminological segmentaion.

Characteristic categories of tourism consumers and their customer status

- Guests (hotel, restaurant)
- Customers/clients (travel agency, beauty parlour, gambling house)
- Participants (trip, convention, event, etc.)

The providers' (supply) perspective of travel demand

Segmentation by travel lots

Travel lots: guests, customers, participants as individuals or groups:

- Individuals buying a service separately from each provider (transport company, hotel, restaurant, museum)
- Commercially organized, buying a bundle (package) of services at a (combined) flat rate paid to the intermediary (travel agent, reservation company)
- Corporate customers, travelling on behalf of their enterprises or organizations, on a package or individual service based, with intermediaries or individual providers (usually at the order of their staff department)

Next: Defining and understanding the world tourism market

Supply responding to Demand